

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF EDMORE	County MONTCALM
Fiscal Year End 02/28/06	Opinion Date 04/18/06	Date Audit Report Submitted to State 08/29/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

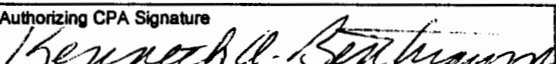
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ **NO** ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS		Telephone Number 989-791-1555	
Street Address 60 HARROW LANE		City SAGINAW	State MI
		Zip 48638	
Authorizing CPA Signature 		Printed Name KENNETH BERTHIAUME	License Number 8339

VILLAGE OF EDMORE

Montcalm County

FINANCIAL STATEMENTS

February 28, 2006

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Edmore
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Edmore's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Edmore's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

April 18, 2006

BASIC FINANCIAL STATEMENTS

VILLAGE OF EDMORE

STATEMENT OF NET ASSETS

February 28, 2006

	PRIMARY GOVERNMENT			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Component Unit - DDA</i>
ASSETS:				
Cash and cash equivalents	\$ 1,384,218	\$ 864,524	\$ 2,248,742	\$ 229,477
Receivables	417,685	20,630	438,315	23,223
Capital assets:				
Nondepreciable capital assets	60,026	15,804	75,830	-
Depreciable capital assets, net	332,762	764,382	1,097,144	-
Total assets	2,194,691	1,665,340	3,860,031	252,700
LIABILITIES:				
Accounts payable and accrued expenses	14,442	3,541	17,983	-
Deferred revenue	-	124,893	124,893	-
Long-term liabilities:				
Due within one year	8,164	-	8,164	-
Total liabilities	22,606	128,434	151,040	-
NET ASSETS:				
Invested in capital assets, net of related debt	384,624	780,186	1,164,810	-
Restricted for:				
Streets	427,041	-	427,041	-
Unrestricted	1,360,420	756,720	2,117,140	252,700
Total net assets	\$ 2,172,085	\$ 1,536,906	\$ 3,708,991	\$ 252,700

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES

Year Ended February 28, 2006

		<i>PROGRAM REVENUES</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
	<i>Expenses</i>				
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 162,618	\$ 31,150	\$ 7,750	\$ -	\$ (123,718)
Public safety	123,004	9,756	7,774	-	(105,474)
Public works	235,741	18,755	106,639	71,850	(38,497)
Community and economic development	400	-	-	-	(400)
Recreation and culture	23,373	-	-	-	(23,373)
Interest on long-term debt	350	-	-	-	(350)
Total governmental activities	545,486	59,661	122,163	71,850	(291,812)
<i>Business-type activities:</i>					
Sewer	113,066	90,809	-	-	(22,257)
Water	133,647	128,276	-	-	(5,371)
Total business-type activities	246,713	219,085	-	-	(27,628)
Total primary government	\$ 792,199	\$ 278,746	\$ 122,163	\$ 71,850	\$ (319,440)
COMPONENT UNIT:					
Downtown development authority	\$ 82,375	\$ 1,663	\$ -	\$ -	\$ (80,712)
Total component unit	\$ 82,375	\$ 1,663	\$ -	\$ -	\$ (80,712)

continued

The accompanying notes are an integral part of these financial statements.

	PRIMARY GOVERNMENT			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Component Unit - DDA</i>
Changes in net assets				
Net (expense) revenue	\$ (291,812)	\$ (27,628)	\$ (319,440)	\$ (80,712)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	240,657	-	240,657	-
Payment in lieu of property taxes	13,871	-	13,871	-
Property taxes, captured by component unit	-	-	-	65,479
Franchise taxes	1,200	-	1,200	-
Grants and contributions not restricted to specific programs	124,338	-	124,338	-
Unrestricted investment earnings	36,602	28,785	65,387	3,492
Special item – gain (loss) on sale of capital asset	3,100	-	3,100	(42,913)
Total general revenues, contributions, special items and transfers	419,768	28,785	448,553	26,058
Change in net assets	127,956	1,157	129,113	(54,654)
Net assets, beginning of year	2,044,129	1,535,749	3,579,878	307,354
Net assets, end of year	\$ 2,172,085	\$ 1,536,906	\$ 3,708,991	\$ 252,700

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2006

	NONMAJOR GOVERNMENTAL FUND						Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Police Fund	Economic Development Fund	Industrial Complex Construction	
Assets:							
Cash and cash equivalents	\$ 400,411	\$ 191,630	\$ 218,536	\$ 20,160	\$ 387,916	\$ -	\$ 1,218,653
Accounts receivable	10,554	-	-	-	-	-	10,554
Notes receivable	-	-	-	-	350,664	-	350,664
Due from other government units	38,228	13,228	5,011	-	-	-	56,467
Due from other funds	-	-	3,307	-	-	-	3,307
Total assets	\$ 449,193	\$ 204,858	\$ 226,854	\$ 20,160	\$ 738,580	\$ -	\$ 1,639,645
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable and accrued expenses	\$ 5,051	\$ 577	\$ 787	\$ 6,306	\$ -	\$ -	\$ 12,721
Due to other funds	-	3,307	-	-	-	-	3,307
Deferred revenue	-	-	-	-	350,664	-	350,664
Total liabilities	5,051	3,884	787	6,306	350,664	-	366,692
Fund balances:							
Unreserved:							
General fund	444,142	-	-	-	-	-	444,142
Special revenue funds	-	200,974	226,067	13,854	387,916	-	828,811
Total fund balances	444,142	200,974	226,067	13,854	387,916	-	1,272,953
Total liabilities and fund balances	\$ 449,193	\$ 204,858	\$ 226,854	\$ 20,160	\$ 738,580	\$ -	\$ 1,639,645

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENT FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2006

Total fund balances for governmental funds		\$ 1,272,953
Total net assets reported for governmental activities in the state of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	465,164	
Less accumulated depreciation	<u>(138,344)</u>	326,820
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		
		350,664
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Capital lease payable		(8,164)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		
		<u>229,812</u>
Net assets of governmental activities		<u>\$ 2,172,085</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2006

	NONMAJOR GOVERNMENTAL FUND						Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Police Fund	Economic Development Fund	Industrial Complex Construction	
Revenues:							
Property taxes	\$ 257,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257,143
Licenses and permits	1,770	-	-	-	-	-	1,770
State grants	124,338	73,312	32,758	1,834	-	-	232,242
Contributions from other units	-	569	-	5,940	-	-	6,509
Charges for services	27,537	-	-	-	-	-	27,537
Fines and forfeits	-	-	-	2,422	-	-	2,422
Interest and rents	21,180	3,831	3,894	534	17,029	-	46,468
Other revenue	14,698	60	239	9,170	45,636	-	69,803
Total revenues	446,666	77,772	36,891	19,900	62,665	-	643,894
Expenditures:							
Current:							
General government	108,084	-	-	-	-	-	108,084
Public safety	-	-	-	114,406	-	-	114,406
Public works	125,573	70,627	22,330	-	-	-	218,530
Community and economic development	-	-	-	-	400	-	400
Recreation and culture	18,170	-	-	-	-	-	18,170
Other	51,038	-	-	-	-	-	51,038
Capital outlay	7,870	-	-	28,773	-	-	36,643
Debt service:							
Principal	-	-	-	8,214	-	-	8,214
Interest and fees	-	-	-	350	-	-	350
Total expenditures	310,735	70,627	22,330	151,743	400	-	555,835
Excess (deficiency) of revenues over expenditures	135,931	7,145	14,561	(131,843)	62,265	-	88,059
Other financing sources (uses):							
Proceeds from capital lease	-	-	-	16,378	-	-	16,378
Transfers in	11,485	-	18,328	129,319	-	-	159,132
Transfers out	(129,319)	(18,328)	-	-	-	(11,485)	(159,132)
Total other financing sources (uses)	(117,834)	(18,328)	18,328	145,697	-	(11,485)	16,378
Net change in fund balances	18,097	(11,183)	32,889	13,854	62,265	(11,485)	104,437
Fund balances, beginning of year	426,045	212,157	193,178	-	325,651	11,485	1,168,516
Fund balances, end of year	\$ 444,142	\$ 200,974	\$ 226,067	\$ 13,854	\$ 387,916	\$ -	\$ 1,272,953

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 28, 2006

Net change in fund balances – total governmental funds \$ 104,437

Total change in net assets reported for governmental activities in the statements of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	108,493	
Less depreciation expense	<u>(19,408)</u>	89,085

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. (45,636)

Proceeds from the issuance of long-term debt is a revenue in the governmental funds, but are recorded as long-term liabilities in the statement of net assets (16,378)

Repayments of principal on capital leases are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 8,214

The net revenue (expense) of the internal service fund is reported with governmental activities. (11,766)

Change in net asset of governmental activities \$ 127,956

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

February 28, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Motor Pool Fund</i>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 299,939	\$ 564,585	\$ 864,524	\$ 165,565
Accounts receivable	9,979	10,651	20,630	-
Total current assets	309,918	575,236	885,154	165,565
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets	13,050	2,754	15,804	-
Depreciable capital assets, net	106,828	657,554	764,382	65,968
Total noncurrent assets	119,878	660,308	780,186	65,968
Total assets	429,796	1,235,544	1,665,340	231,533
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	1,644	1,897	3,541	1,721
Deferred revenue	-	124,893	124,893	-
Total current liabilities	1,644	126,790	128,434	1,721
Net assets:				
Invested in capital assets, net of related debt	119,878	660,308	780,186	65,968
Unrestricted	308,274	448,446	756,720	163,844
Total net assets	\$ 428,152	\$ 1,108,754	\$ 1,536,906	\$ 229,812

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Motor Pool Fund</i>
Operating revenues:				
Charges for services	\$ 89,617	\$ 109,470	\$ 199,087	\$ -
Penalties	1,192	1,544	2,736	-
Equipment rental	-	-	-	76,122
Other	-	17,262	17,262	-
Total operating revenues	90,809	128,276	219,085	76,122
Operating expenses:				
Personnel	37,803	40,771	78,574	27,406
Fringe benefits	19,532	20,723	40,255	14,046
Supplies	1,508	4,161	5,669	6,994
Contracted services	19,324	7,546	26,870	11,275
Telephone	768	1,630	2,398	-
Dues and membership fees	-	62	62	-
Education and training	-	200	200	-
Printing and publishing	-	57	57	-
Insurance	1,990	2,922	4,912	5,693
Utilities	3,391	8,444	11,835	-
Repair and maintenance	489	5,524	6,013	7,794
Equipment rental	12,856	7,887	20,743	-
Depreciation	15,405	33,720	49,125	18,014
Total operating expenses	113,066	133,647	246,713	91,222
Operating income (loss)	(22,257)	(5,371)	(27,628)	(15,100)
Non-operating revenues (expenses):				
Interest income	5,885	22,900	28,785	3,334
Total non-operating revenues (expenses)	5,885	22,900	28,785	3,334
Net income (loss)	(16,372)	17,529	1,157	(11,766)
Net assets, beginning of year	444,524	1,091,225	1,535,749	241,578
Net assets, end of year	\$ 428,152	\$ 1,108,754	\$ 1,536,906	\$ 229,812

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended February 28, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Motor Pool Fund</i>
Cash flows from operating activities:				
Cash received from customers	\$ 115,346	\$ 128,580	\$ 243,926	\$ -
Cash received from/paid for interfund services	-	-	-	76,122
Cash payments to employees	(37,803)	(40,771)	(78,574)	(27,406)
Cash payments to suppliers for goods and services	(59,643)	(60,085)	(119,728)	(46,757)
Net cash provided (used) by operating activities	17,900	27,724	45,624	1,959
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(21,407)	-	(21,407)	(3,576)
Net cash used by capital and related financing activities	(21,407)	-	(21,407)	(3,576)
Cash flows from investing activities:				
Interest received	5,885	22,900	28,785	3,334
Net cash provided by investing activities	5,885	22,900	28,785	3,334
Net increase (decrease) in cash and cash equivalents	2,378	50,624	53,002	1,717
Cash and cash equivalents, beginning of year	297,561	513,961	811,522	163,848
Cash and cash equivalents, end of year	\$ 299,939	\$ 564,585	\$ 864,524	\$ 165,565
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (22,257)	\$ (5,371)	\$ (27,628)	\$ (15,100)
Adjustments:				
Depreciation	15,405	33,720	49,125	18,014
Changes in assets and liabilities:				
Accounts receivable	24,537	26,857	51,394	-
Accounts payable and accrued expenses	215	(929)	(714)	(955)
Deferred revenue	-	(26,553)	(26,553)	-
Net cash provided (used) by operating activities	\$ 17,900	\$ 27,724	\$ 45,624	\$ 1,959

The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

FIDUCIARY FUNDS **STATEMENT OF NET ASSETS**

February 28, 2006

Assets:

Cash and cash equivalents	\$ 52,806
Total assets	<u>52,806</u>

Liabilities:

Accounts payable and accrued expenses	52,755
Undistributed tax collection	<u>51</u>
Total liabilities	<u>52,806</u>

Net assets:

Unrestricted	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Edmore conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated inter fund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

The **Police Fund** is used to account for revenue sources used to fund the Village's police department.

The **Economic Development Fund** is used to account for loans and repayments (revolving loans) to local business to encourage economic growth in the Village.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15-20 years
Vehicles	5-10 years
Equipment	5-20 years
Distribution systems	25-50 years
Infrastructure	5-25 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2005 taxable valuation of the Village totaled \$ 20,590,879, on which ad valorem taxes levied consisted of 11.3 mills for the Village’s operating purposes and 1.5 mills for rubbish collection.

The delinquent real property taxes of the Village are purchased by Montcalm County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to several types of risk, which are presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$762,193 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$562,500 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: NOTES RECEIVABLE

The Economic Development Fund makes low and non-interest bearing loans to businesses located within the Village's Downtown Development District. The balance of these notes at February 28, 2006 was \$350,664. This balance was recorded on the statement of net assets as a receivable. No allowance has been made for uncollectible amounts because all are currently considered collectable.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

NOTE 5: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<i>Unavailable</i>	<i>Unearned</i>	<i>Total Deferred Revenue</i>
Primary Government:			
Notes receivable	\$ 350,664	\$ -	\$ 350,664

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

NOTE 6: CAPITAL ASSETS

Primary Government and Component Unit capital asset activity for the year ended February 28, 2006 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Depreciable capital assets:				
Buildings and improvements	\$ 82,933	\$ -	\$ -	\$ 82,933
Land improvements	96,268	79,720	-	175,988
Equipment	242,377	12,872	-	255,249
Vehicles	225,487	19,478	(21,034)	223,931
Total depreciable capital assets	647,065	112,070	(21,034)	738,101
Accumulated depreciation	(388,951)	(37,422)	21,034	(405,339)
Net depreciable capital assets	258,114	74,648	-	332,762
Nondepreciable capital assets:				
Land	60,026	-	-	60,026
Governmental activities, capital assets, net	\$ 318,140	\$ 74,648	\$ -	\$ 392,788

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-type activities:				
Depreciable capital assets:				
Equipment	\$ 121,169	\$ -	\$ -	\$ 121,169
Distribution system	<u>2,065,284</u>	<u>21,407</u>	<u>-</u>	<u>2,086,691</u>
	<u>2,186,453</u>	<u>21,407</u>	<u>-</u>	<u>2,207,860</u>
Accumulated depreciation	<u>(1,394,353)</u>	<u>(49,125)</u>	<u>-</u>	<u>(1,443,478)</u>
Depreciable capital assets, net	792,100	(27,718)	-	764,382
Nondepreciable capital assets:				
Land	<u>15,804</u>	<u>-</u>	<u>-</u>	<u>15,804</u>
Business-type activities, capital assets, net	<u>\$ 807,904</u>	<u>\$ (27,718)</u>	<u>\$ -</u>	<u>\$ 780,186</u>
Component Units:				
Capital assets being depreciated:				
Buildings and improvements	\$ 101,200	\$ -	\$ (101,200)	\$ -
Accumulated depreciation	<u>(3,126)</u>	<u>(1,145)</u>	<u>4,271</u>	<u>-</u>
Net capital assets being depreciated	98,074	(1,145)	(96,929)	-
Capital assets not being depreciated:				
Land	<u>16,800</u>	<u>-</u>	<u>(16,800)</u>	<u>-</u>
Net component units capital assets	<u>\$ 114,874</u>	<u>\$ (1,145)</u>	<u>\$ (113,729)</u>	<u>\$ -</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 3,496
Public safety	8,598
Public works	2,111
Recreation and culture	<u>5,203</u>

Total governmental activities	<u>\$ 19,408</u>
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Business-type activities:

Sewer	\$ 15,045
Water	<u>33,720</u>

Total business-type activities	<u>\$ 68,173</u>
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Component Unit:

Downtown Development Authority	<u>\$ 1,145</u>
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Total component units	<u>\$ 1,145</u>
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NOTE 7: DEFERRED REVENUE IN WATER FUND

On September 8, 1997, the Village entered into a "Water Service Contract" with Home Township. The purpose of the contract is for the Village of Edmore to provide public water service within a designated service area on a retail basis to meet the potable water needs of certain businesses and residents in the Township. In conjunction with this contract the Village and the Township entered into a separate Water Main Construction Agreement with Hitachi Magnetics Corporation and General Electric Corporation. In association with this connection Hitachi Magnetics and General Electric were required to pay the Village a sum of \$240,100. This amount was recorded on the Water Fund balance sheet as a Deferred Revenue because the contract stipulates that if the contract is terminated during the first ten years, a portion of the project/construction costs paid by General Electric Company and Hitachi Magnetic Corporation (plus interest) are to be reimbursed to them pro-rated based on the years the contract actually stayed in effect. As of February 28, 2006, the balance of the deferred revenue (unearned portion of the \$240,100 receipt plus interest) is \$124,893.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

NOTE 8: LONG-TERM LIABILITIES

The Village may issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 28, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<u>Capital lease payable:</u>					
2005 Police car purchase - Original amount					
of issue \$16,378 due in two installments					
of \$8,564 including interest at 4.9%.					
	7/6/05-7/6/06	4.9%	\$8,164-\$8,214	\$ 16,378	\$ 8,164

Capital leases are direct obligations and pledge the full faith and credit of the Village.

The following is a summary of long-term liabilities transactions for the year ended February 28, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease payable:					
2005 Police car purchase	\$ -	\$ 16,378	\$ (8,214)	\$ 8,164	\$ 8,164
Total governmental activities					
- long-term liabilities	<u>\$ -</u>	<u>\$ 16,378</u>	<u>\$ (8,214)</u>	<u>\$ 8,164</u>	<u>\$ 8,164</u>

The annual requirements (principal and interest) to amortize all debts (except vacation and sick) outstanding as of February 28, 2006, are as follows:

<u>Year Ending February 28,</u>	<u>Capital Lease Payable</u>
2006	<u>\$ 8,564</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Unit - D.D.A.</i>
Receivables:			
Taxes	\$ -	\$ -	\$ 23,223
Accounts	10,554	20,630	-
Notes	350,664	-	-
Intergovernmental	56,467	-	-
Total receivables	<u>\$ 417,685</u>	<u>\$ 20,630</u>	<u>23,223</u>
Accounts payable and accrued expenses:			
Accounts	\$ 5,273	\$ 280	\$ -
Payroll and related liabilities	9,169	3,261	-
Total accounts payable and accrued expenses	<u>\$ 14,442</u>	<u>\$ 3,541</u>	<u>-</u>

NOTE 10: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2006 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
Local Street Fund	Major Street Fund	<u>\$ 3,307</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Police Fund	\$ 129,319
Major Street Fund	Local Street Fund	18,328
Industrial Complex Construction	General Fund	11,485
	Total	<u>\$ 159,132</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees (workers' compensation); and certain medical benefits provided to employees.

The Village manages its risk liability with products administered through the Michigan Municipal League. Liability and property risk, by participating in Liability and Property Pool, workers compensation, by participating in the Worker's Compensation Fund, health insurance, by participating in Municipal Benefit Services, and unemployment, by participating in the Unemployment Compensation Fund. All these plans are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12: DEFINED CONTRIBUTION PENSION PLAN

The Village has a defined contribution pension plan administered by The Equitable Life Assurance Society of the United States. All employees that have reached age 18, worked at least six months in the last five plan years, and made more than \$450 in the plan year are eligible for benefits. The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 28, 2006, the Village made contributions of \$24,181 into the pension plan.

NOTE 13: POST EMPLOYMENT BENEFITS

The Village currently does not provide post employment benefits other than its pension plan.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 212,925	\$ 251,173	\$ 257,143	\$ 5,970
Licenses and permits	2,200	1,770	1,770	-
State grants	112,500	124,690	124,338	(352)
Charges for services	25,800	26,964	27,537	573
Fines and forfeits	3,000	-	-	-
Interest and rents	14,715	17,870	21,180	3,310
Other revenue	14,200	26,802	14,698	(12,104)
Total revenues	385,340	449,269	446,666	(2,603)
Expenditures:				
<i>Current:</i>				
General government	100,185	120,735	108,084	(12,651)
Public safety	86,795	100	-	(100)
Public works	118,125	139,375	125,573	(13,802)
Recreation and culture	20,635	20,635	18,170	(2,465)
Other	86,125	59,075	51,038	(8,037)
Capital outlay	7,000	7,870	7,870	-
Total expenditures	418,865	347,790	310,735	(37,055)
Excess (deficiency) of revenues over expenditures	(33,525)	101,479	135,931	34,452
Other financing sources (uses):				
Transfers in	-	-	11,485	11,485
Transfers out	-	(130,000)	(129,319)	(681)
Total other financing sources (uses)	-	(130,000)	(117,834)	10,804
Net change in fund balance	(33,525)	(28,521)	18,097	45,256
Fund balance, beginning of year	426,045	426,045	426,045	-
Fund balance, end of year	\$ 392,520	\$ 397,524	\$ 444,142	\$ 45,256

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
State grants	\$ 70,000	\$ 72,000	\$ 73,312	\$ 1,312
Contributions from other units	800	800	569	(231)
Interest and rents	1,000	3,450	3,831	381
Other revenue	-	59	60	1
Total revenues	71,800	76,309	77,772	1,463
Expenditures:				
Current:				
Public works	62,777	82,857	70,627	(12,230)
Total expenditures	62,777	82,857	70,627	(12,230)
Excess (deficiency) of revenues over expenditures	9,023	(6,548)	7,145	13,693
Other financing sources (uses):				
Transfers out	(17,500)	(18,500)	(18,328)	172
Total other financing sources (uses)	(17,500)	(18,500)	(18,328)	172
Net change in fund balance	(8,477)	(25,048)	(11,183)	13,865
Fund balance, beginning of year	212,157	212,157	212,157	-
Fund balance, end of year	\$ 203,680	\$ 187,109	\$ 200,974	\$ 13,865

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
State grants	\$ 32,500	\$ 32,500	\$ 32,758	\$ 258
Interest and rents	700	3,180	3,894	714
Other revenue	50	239	239	-
Total revenues	33,250	35,919	36,891	972
Expenditures:				
Current:				
Public works	26,482	32,242	22,330	(9,912)
Total expenditures	26,482	32,242	22,330	(9,912)
Excess (deficiency) of revenues over expenditures	6,768	3,677	14,561	10,884
Other financing sources (uses):				
Transfers in	17,500	18,500	18,328	(172)
Total other financing sources (uses)	17,500	18,500	18,328	(172)
Net change in fund balance	24,268	22,177	32,889	10,712
Fund balance, beginning of year	193,178	193,178	193,178	-
Fund balance, end of year	\$ 217,446	\$ 215,355	\$ 226,067	\$ 10,712

VILLAGE OF EDMORE

SPECIAL REVENUE FUND –POLICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
State grants	\$ 2,500	\$ 2,533	\$ 1,834	\$ (699)
Contributions from other units	3,000	5,600	5,940	340
Fines and forfeits	-	2,422	2,422	-
Interest earned	-	350	534	184
Other revenue	200	9,164	9,170	6
Total revenues	5,700	20,069	19,900	(169)
Expenditures:				
<i>Current:</i>				
Public safety	86,700	127,984	114,406	(13,578)
Capital outlay	-	28,773	28,773	-
Debt service:				
Principal	-	8,214	8,214	-
Interest and fees	-	350	350	-
Total expenditures	86,700	165,321	151,743	(13,578)
Excess (deficiency) of revenues over expenditures	(81,000)	(145,252)	(131,843)	13,409
Other financing sources (uses):				
Proceeds from capital lease	-	16,378	16,378	-
Transfers in	81,000	13,000	129,319	(681)
Total other financing sources (uses)	81,000	146,378	145,697	(681)
Net change in fund balance	-	1,126	13,854	12,728
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 1,126	\$ 13,854	\$ 12,728

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i><u>Budgeted Amounts</u></i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i><u>Original</u></i>	<i><u>Final</u></i>		
Revenues:				
Interest earned	\$ 12,550	\$ 13,170	\$ 17,029	\$ 3,859
Note repayments	-	-	45,636	-
Total revenues	12,550	13,170	62,665	3,859
Expenditures:				
Current:				
Community and economic development	300	400	400	-
Total expenditures	300	400	400	-
Excess (deficiency) of revenues over expenditures	12,250	12,770	62,265	3,859
Fund balance, beginning of year	325,651	325,651	325,651	-
Fund balance, end of year	\$ 337,901	\$ 338,421	\$ 387,916	\$ 3,859

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2006

REVENUES:

Current taxes:

Property taxes	\$ 240,612
Penalties and interest on taxes	45
Administration fees	2,615
Payment in lieu of taxes	13,871
	<u>257,143</u>

Licenses and permits:

Business licenses and permits	570
CATV franchise fees	1,200
	<u>1,770</u>

State grants:

State revenue sharing – sales tax	<u>124,338</u>
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Charges for services:

Refuse collection fees	18,456
Cemetery fees	7,331
Zoning/Variance/Appeals fees	694
Other	1,056
	<u>27,537</u>

Interest and rent:

Interest	7,980
Rents	13,200
	<u>21,180</u>

Other revenue:

Cemetery lots and perpetual care	2,525
Contributions and donations	7,750
Refunds and rebates	4,067
Other	356
	<u>14,698</u>

Total revenues	<u>446,666</u>
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OTHER FINANCING SOURCES:

Transfers from other funds	<u>11,485</u>
	<u>11,485</u>

Total revenues and other financing sources	<u>\$ 458,151</u>
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VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2006

EXPENDITURES:

General Government:

Village Council:

Personnel	\$ 6,638
Supplies	810
Contracted services	4,678
Dues and memberships	967
Printing and publications	1,919
Other	1,716
	<hr/>
	16,728

Village Manager:

Personnel	5,552
Supplies	770
Contracted services	1,370
Telephone	2,168
Conferences and workshops	150
	<hr/>
	10,010

Office Administration and Accounting:

Personnel	8,931
Supplies	4,354
Contracted services	7,031
Telephone	1,912
	<hr/>
	22,228

Clerk:

Personnel	1,418
Supplies	286
Printing and publications	1,209
	<hr/>
	2,913

Audit:

Contracted services	<hr/>
	2,270

Treasurer:

Personnel	945
Supplies	323
Contracted services	450
	<hr/>
	1,718

Halls and Grounds:

Supplies	98
Contracted services	3,054
Utilities	2,200
	<hr/>
	5,352

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

EXPENDITURES, continued:

General Government, continued:

<i>Attorney:</i>	
Contracted services	7,439
	<hr/>
<i>Cemetery:</i>	
Personnel	20,616
Supplies	725
Utilities	74
Equipment rental	15,956
	<hr/>
	37,371
	<hr/>
<i>Other General Services:</i>	
Contracted services	2,055
	<hr/>
Total general government	108,084
	<hr/>

Public Works:

<i>Department of Public Works:</i>	
Personnel	27,096
Supplies	1,051
Contracted services	975
Telephone	1,305
Utilities	5,358
Equipment rental	11,537
	<hr/>
	47,322
	<hr/>
<i>Street Lighting:</i>	
Utilities	20,829
	<hr/>
<i>Refuse:</i>	
Personnel	9,892
Supplies	939
Contracted services	36,000
Equipment rental	10,591
	<hr/>
	57,422
	<hr/>
Total public works	125,573
	<hr/>

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

EXPENDITURES, continued:

Recreation and Culture:

Parks and Recreation:

Personnel	8,718
Supplies	991
Contracted services	716
Utilities	2,117
Equipment rental	5,628
	<hr/>
	18,170
	<hr/>
Total recreation and culture	18,170

Other:

Insurance and Bonds	13,071
Health insurance	23,453
Employer's share of retirement	7,927
Employer's share of FICA	6,587
	<hr/>
	51,038
	<hr/>
Total other	51,038

Capital Outlay:

Recreation and culture	7,870
	<hr/>
Total capital outlay	7,870
	<hr/>
Total expenditures	310,735

Other financing uses:

Transfers to other funds	129,319
	<hr/>
Total expenditures and other financing uses	<hr/> <hr/>
	\$ 440,054

VILLAGE OF EDMORE

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended February 28, 2006

	<i>March 1, 2005</i>	<i>Additions</i>	<i>Deductions</i>	<i>February 28, 2006</i>
CURRENT TAX COLLECTION				
Assets:				
Cash and cash equivalents	\$ 51	\$ 256,621	\$ 256,621	\$ 51
Liabilities:				
Undistributed tax collection	\$ 51	\$ 256,621	\$ 256,621	\$ 51
PAYROLL FUND				
Assets:				
Cash and cash equivalents	\$ 15,965	\$ 415,388	\$ 420,532	\$ 10,821
Liabilities:				
Accounts payable and accrued expenses	\$ 15,965	\$ 415,388	\$ 420,532	\$ 10,821
GLENN CURTIS ESTATE				
Assets:				
Cash and cash equivalents	\$ 22,366	\$ 141,334	\$ 121,766	\$ 41,934
Liabilities:				
Accounts payable and accrued expenses	\$ 22,366	\$ 141,334	\$ 121,766	\$ 41,934
TOTAL - ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 38,382	\$ 813,343	\$ 798,919	\$ 52,806
Liabilities:				
Accounts payable and accrued expenses	\$ 38,331	\$ 556,722	\$ 542,298	\$ 52,755
Undistributed tax collection	51	256,621	256,621	51
Total liabilities	\$ 38,382	\$ 813,343	\$ 798,919	\$ 52,806



AUDIT COMMUNICATION

April 18, 2006

To the Village Manager and Members of Village Council
Village of Edmore, Michigan

We have audited the financial statements of the Village of Edmore for the year ended February 28, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Edmore in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Edmore are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended February 28, 2006. We noted no transactions entered into by the Village of Edmore during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants